Address to the Board of Governors by Barber B. Conable

President
The World Bank
and
International Finance
Corporation

Washington, D.C.
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Welcome to these Annual Meetings. Welcome especially to the delegates from our newest member nations: Kiribati and Poland.

I was born in a town named Warsaw. I was educated in Ithaca. I began my legal career in Batavia. For twenty years in the Congress of the United States, I represented the citizens of Lima, Attica, Avon, Castile, Corfu, Bergen, Java, and Greece, as they are generally pronounced.

Those place names in upstate New York are part of my heritage. Those small communities bear witness to the wider world from which America drew its people, culture, and beliefs, including our belief in collective action to solve common problems. Collective action against global poverty is the common purpose that brings us together today. It brought the World Bank into being four decades ago, and it still defines the goals which I intend to serve with all my energy for the next five years.

By training, I am a lawyer, a negotiator. I also know the duties of the public servant who must both lead and respond to constituents. And though I am neither banker nor development technician, I am familiar with the challenges of international economics and trade. Moreover, the discipline of the politics of democracy has educated me not only in conciliating conflicting views and interests but also in seeing the impact of grand designs on individual lives and private aspirations.

I come to you and to this great institution, then, ready both to learn and to lead. Having retired from public life, I did not expect such an opportunity for public service. I welcome the challenge with enthusiasm—as I will welcome your advice and support in meeting it.

I will also, however, genuinely miss the help of two distinguished colleagues, leaders who have contributed much to strengthening international cooperation in the development field.

Ghulam Ishaq Khan is ending his extended term as chairman of the Development Committee. He has guided us wisely and firm-

ly, endowing this committee with lasting influence and significance. We owe him our deep thanks.

And Jacques de Larosiere will be leaving the helm of the International Monetary Fund (IMF), where he has served the international community with sensitivity and distinction. He has contributed to intensified IMF–World Bank cooperation, and I wish to acknowledge his advice and help to me in recent months. He has been a superbly effective leader of the Fund. We all are grateful for his contribution and regretful at his departure.

The central challenge to the World Bank is the central concern of our world. It is the same in 1986 as in 1946: to mobilize the will and the resources of the affluent and of the afflicted alike in the global battle against poverty.

We have made real progress in that fight. We still have much to do.

We have done well. We must, we can do better.

For the Bank to achieve the results of which it is capable, it needs not a new direction but a renewed drive, a reinvigorated dedication of its original and enduring purpose. That purpose is development. The Bank's role is to lead in that process, and my priority as president will be to ensure resolute leadership for sustained development.

Ortega y Gasset has written: "Nations are formed, are kept alive by the fact that they have a program for tomorrow." The same is true of institutions, and the World Bank family of institutions must have a program for tomorrow not just to live itself, but to lead in making the lives of millions better, fuller, more promising.

The leadership program for sustained development that I wish to present to you today builds on the experience and expertise the

Bank has accumulated—the solid, enormous assets of our dedicated and skillful staff. We do not have to reinvent the wheel of development. Its pioneers and past masters are already here and hard at work.

My program also capitalizes on the Bank's physical assets—the financial strength and high liquidity that enable us to move with speed and decisive impact, to lead where private initiatives and investors can confidently follow in implementing strategies of both adjustment and development.

Finally, I intend to use to the maximum the Bank's unique pivotal position in the development process—our central place in the world of private and governmental finance and our broad and deep political support in the developed and the developing world.

These sources of strength have made the Bank an institution that is larger and more powerful than its parts. We must use this power in a coordinated approach to take the lead again in the quest for sustained development. The ingredients of that approach blend the Bank's past accomplishments with its continuing and changing responsibilities. Let me spell out the elements that I believe are basic to leadership for sustained development.

First, let us be clear about our goal. We are a force for development, not primarily an agency for debt management. We will exert our influence

- to shield the development process from the volatility of global financial markets and aid flows
- to encourage freer world trade, and
- to help reduce the relative burden of Third World debt, so that through a resumption of growth borrowing again can become a stimulus to progress.

In these ways we can make genuine economic growth the healing

antidote wherever poverty is poisoning people's lives and their hopes for the future. These efforts must be both a strategy and a goal. They require that we draw deeply on the reservoir of skills and motivations that the exemplary leadership of the past has built up in World Bank institutions.

Second, in development lending, we must maintain on a country-by-country basis a thoughtful mix of project and adjustment lending. The two must support each other in ways appropriate to each country's needs.

Third, as in the past, we will regard agricultural development in the poorest nations as central and critical in the battle against poverty.

Fourth, we will take account of long-term issues in our development activities—the need to stress population concerns, the need to protect the environment as we promote economic advance, and the need to ensure that women are fully integrated in, contribute to, and benefit from development programs.

Fifth—the final component that is crucial to the success of all the others—we must maintain flexibility both in the design and the management of the Bank's activities. We have new instruments to use and a talented staff. We must make certain that our structure provides the best match between those resources and our requirements.

As Henry David Thoreau observed long ago, "It is not enough to be busy . . . The question is: what are we busy about?" The business of the Bank is development. We are in position to take the lead in that business, to show the way and to set the pace. That is why the first element of my program is simply a restatement of our fundamental goal, the primacy of sustained development on the Bank's agenda for leadership.

We are all bitterly aware, of course, that development does not proceed automatically and smoothly on its own. In too many nations too many resources meant for development are being

diverted to debt service. Stabilization plans are essential to restore the confidence of domestic and foreign investors. But by themselves they are not enough. The prospect of a healthy and growing economy is the ultimate basis of investor confidence. Lack of coordination in movements of official capital accentuates the volatile movement of private funds, and one result is to deprive long-term programs of timely access to stable credit. New threats of protectionism are shrinking the promise of an expanding global marketplace for developed and developing nations alike.

It is not enough to list these problems or acknowledge the obvious linkage between their resolution and our prospects for progress. We must work for a resumption of growth—growth in credit, growth in trade, growth in the official and private resources committed to the fight against poverty. When nations seek the wellsprings of economic growth, the Bank must be a guide, not a bystander, in their search.

There is no simple remedy or set of cures for destitution and its companions, disease and despair. But without continuing growth in the economies of the developed and developing nations and in the commerce among them, there is no cure at all.

The World Bank is the most influential intermediary between what Cervantes called the "only two families in the world—the Haves and the Have-Nots." In that position, we must both mediate and lead. We must be both adviser and catalytic agent in promoting the coordination and cooperation of creditor and debtor, donor and recipient nation.

The Bank is already exercising that constructive influence. While total IBRD* lending in the past fiscal year grew by 16 percent, our loans to ten highly indebted countries that have embarked on adjustment programs increased by 47 percent. And our fast-disbursing adjustment lending accounted for more than a third of our programs in middle-income nations.

* The International Bank for Reconstruction and Development, not including its affiliate, the International Development Association (IDA), both of which make up the World Bank.

Adjustment lending and investment financing are not mutually exclusive. They need each other. What good can agricultural reforms do if inadequate irrigation leaves farmland parched or inadequate transport leaves farm produce to rot in storage? On the other side of the coin, how can investments bear fruit, how can investors have confidence in a policy environment hostile to change and enterprise?

The Bank's leadership task in the face of such questions is to ensure that adjustment efforts are synchronized with development work, that official capital flows stimulate and draw private investment with them, and that the hardest cases get urgent attention.

Where debt and its servicing lie heaviest in the path of growth, where—as in Latin America and Sub-Saharan Africa—falling commodity prices have drastically eroded export earnings, there the Bank must be at the forefront in lending and in spurring other lenders both to reschedule debt and to invest anew.

It is not enough to endorse the proposals U.S. Treasury Secretary Baker made this time last year in Seoul. With regard to the middle-income nations, the private financial community must move from approval in principle to action in practice. Where the World Bank and the IMF are at work in helping debtor nations to mount comprehensive adjustment programs, the commercial banks must be promptly, generously, and imaginatively at our side. A waiting game will be a losing game—for creditors as much as for debtors.

Only growth will produce the income to ensure debt repayment. And only new capital flows at spreads as low as possible will promote higher growth. For the very poorest nations, where lack of creditworthiness bars the door to commercial flows, there must be strong and sustained foreign aid available. Here a strong International Development Association (IDA) is an imperative. I am grateful that last week's meeting of IDA delegates left us close to agreement for a larger replenishment of this important program.

Equally important is the issue of trade expansion. With growth

rates dropping nearly by half in the heavily indebted countries as a group over the last year, it is clear that their economies must generate export surpluses substantial enough to provide for both continued debt service and new, growth-enhancing investments.

How can they achieve that vital result if export markets shrink or close? Those who wish, as I do, to see the developing countries liberalize their own trade rules must themselves come to court with clean hands. No nation, however strong, can restrict imports and then expect easier entry for its goods and services to the markets of its trading partners.

Growth and freer trade go together. The responsibility of the industrial countries to invigorate their own lagging economic growth is matched by their need to open and smooth the road for trade expansion. Such movement is clearly in the self-interest of the developed world, but it is also vital to the prospects for sustained development among the poorest and those most deeply in debt.

On their behalf, the World Bank will do its utmost to ease and facilitate the new round of multinational trade negotiations under the auspices of the General Agreement on Tariffs and Trade (GATT). As I did at Punta del Este two weeks ago, I again pledge the Bank's urgent support in the effort to reverse protectionist trends and revive trade expansion.

At the same time that the Bank continues and increases its engagement in improving the climate for developmental progress, we will also continue to expand and refine our project lending. By giving so much attention to the complex issues addressed in the first point of my leadership program, I do not mean to leave the impression that the second point is in any way secondary.

The Bank has historically developed as a project lender. I intend to see that we go on to do it even better.

We have seen in Asia and Africa, in Latin America, and in parts of Europe how the foundation for growth is laid in the concrete

of dams, in the asphalt of roads, in power and communications lines, and in the fertile soil of educated minds. We have seen as well how—on such foundations—the countries of the Pacific Rim have built the momentum for export growth and how the world's two most populous nations, India and China, have scored their impressive progress.

Basic investments in development, thus, remain basic to sustained growth. That understanding will continue to direct our lending priorities even as we adjust them to mold new coordinated strategies of investment, a related subject that I will discuss shortly.

Before that, however, let me remind you of the third ingredient of sustained development: food. There is a zero-sum fallacy contending that agricultural trade—especially exports from rich to poor—will shrink as subsistence farmers increase their productivity.

The reverse is true. With development, most of the extra income earned by the poorest farmers goes to improve their families' diet. So investments in farm equipment and techniques, land reform, fertilizer, seeds, and crop research can be investments in the long-term growth of international commerce as well as in the immediate improvement of human lives. The Bank will therefore continue to stress agricultural development, from research to production, as a fundamental of sustained development.

In response to the fourth leadership concern I outlined, we will strengthen our work in all areas, rural and urban, to reflect new attention to the role of population, of the environment, and of women in the lives and hopes of the world's poor. These are not peripheral issues to development work. They are not frills hastily added to our design for growth.

High population growth rates strain both natural and financial resources.

Environmental neglect destroys assets vital not just to the quality of life but to life itself.

Women do two-thirds of the world's work. Their work produces 60 to 80 percent of Africa's and Asia's food, 40 percent of Latin America's. Yet they earn only one-tenth of the world's income and own less than 1 percent of the world's property. They are among the poorest of the world's poor.

We cannot provide leadership for sustained development without providing leadership, as well, to restrain overpopulation, to balance growth with environmental protection, and to match the contributions women make with contributions to their welfare. We must integrate these concerns into our overall development strategy or risk the ultimate failure of our finest work. Fortunately, the Bank has already accumulated much of the experience necessary to weave population, environmental, and women's issues into a tighter fabric of development assistance. Now we must put our knowledge vigorously to work.

We should work on all three fronts at once. It is clear that population pressures are one source of heavy environmental damage, so we must provide training to give women the skills to determine their productive and reproductive lives. And it makes little sense to fund agricultural extension services and credit programs in Africa that do not reach the real farmers, the women who work the land.

Similarly, where men and women are closer to the earth than they are in many industrialized nations, we should need little reminder of Francis Bacon's insight: "Nature, to be commanded, must be obeyed." To keep development in harmony with natural forces and resources, we must apply that lesson on the largest scale—from the planning stage through the execution of every significant project.

We can count on the governments of the developing nations as allies in these endeavors. Many of them have launched efforts of their own to meet these three interlocking concerns. The Bank should build on these beginnings to expand their scale and scope. We can add expertise—whether sophisticated satellite photogra-

phy to catch the inroads of deforestation or simple, rural health and family clinics—and new funding.

The problems and the paths to their solution are of long standing. It is only our sensitivity to their importance that is new. The time has come to move from that awareness to a concerted, continuing plan of action for sustained development.

In leading that drive—to come now to the final element I have offered for your consideration—the Bank will need a new flexibility, a new impulse to experimentation in many aspects of its work. All institutions—no matter how fresh the challenges they face—grow cautious with age and risk being fettered as well as enriched by tradition.

The World Bank must not become like Eddie Rickenbacker's grandmother, who beseeched the would-be aviation pioneer just before he entered pilot training to promise her that he would "always fly slowly and stay close to the ground." Unlike her, we must promise ourselves to be both daring and down to earth, open to innovation in the face of new and familiar challenges. One of the challenges of leadership, which I accept, is to ensure that the Bank's structure is relevant to today's needs and expectations.

I attach particular importance to the International Finance Corporation (IFC) and to its role in promoting new, private sector equity investments in developing nations. The IFC has—and can augment—the flexibility to encourage entrepreneurs and innovators to play leadership roles in developing economies. It has—and must expand—the means of channeling the energies of business leaders in industrial countries into the development effort. Strengthened by new capacity to ensure domestic as well as foreign investors through the Multilateral Investment Guarantee Agency (MIGA), we are also acquiring added power to mobilize sources of capital far greater than our own resources.

We will need to develop new techniques to make the most of this promising opportunity and of our central position in the channel

of development finance. As an example, we must seek ever closer partnership with public, private, and voluntary institutions.

We have what Archimedes wanted: a place to stand from which to move the earth. At the fulcrum of cooperation, we must be wise and purposeful in moving the levers of coordination. We must also and always remember that the Bank embodies what Barbara Ward called "a community of moral purpose." The program of leadership for sustained development which I have presented to you today is one guide to my priorities. They are to maintain and strengthen the Bank

- as a central force for development, an arsenal of powerful weapons in the struggle against poverty
- as a major influence for economic adjustment and growth, for debt rescheduling and trade liberalization
- as a steady source of project lending—especially in advancing agriculture beyond subsistence levels
- as a sensitive advocate of the importance of population, environmental, and women's concerns in the developing world and the development process, and
- as a responsive institution, quick to adjust to new needs and to adapt its strength to new challenges.

These are priorities for action in the coming years. I hope they also suggest a broader goal—to endow the work of the Bank with the sense of urgency that springs from taking sides in a great and righteous cause.

Our cause is the age-old aspiration of mankind, the goal proclaimed by Pope John XXIII in *Pacem in Terris:* "the common good in human society." To achieve that good, we must light the darkness of poverty with the sunshine of hope. We must temper prudence with compassion and adjust the self-interest of nation-states to the all-encompassing interest of global well-being.

When we read statistics, we must see real people. When we confront problems, we must cast them as opportunities. When we doubt our energy or question our faith in development, we must take fresh resolve from the reality that on our work depends the fate of millions.

I find, to conclude on a personal note, that it helps me to think of *all* the member countries of the World Bank as developing nations. Relatively advanced as some of us are now, we are still like cyclists; we must go constantly forward to save ourselves from falling.

Coming from a region of America that was wilderness less than two centuries ago, I have profited from an inheritance of development. The earliest settlers, my family among them, benefited from the visionary risk-taking of investors in the Netherlands and from the skills and enterprise of the workers from afar who dug the Erie Canal and thus connected the commerce of the Great Lakes to the Atlantic Ocean.

So as an American and an heir to earlier development, I can look to distant, less fortunate lands and I can see there my forebears and, with the right help, prospects for a bright future. I can see as well the profound wisdom of an American Indian proverb that declares: "In the beginning God gave to every people a cup of clay, and from that cup they drank their life."

Our common cup is the earth. Let us make from it--for all mankind—a vessel of life, a cornucopia of hope.

As I begin my work toward that end, I am grateful for the tools and the talents at hand, for the strength of the Bank, and for the counsel I rely on you to provide.

Our institution is mighty in resources and in experience. But its labors will count for nothing if it cannot look at our world

through the eyes of the most underprivileged, if we cannot share their hopes and their fears.

We are here to serve their needs, to help them realize their strength, their potential, their aspirations.

Let us then rededicate ourselves and our institutions to the pursuit of that great and common good. With your support, we can make the dream of sustained development a sustaining reality.

I count on your unstinting help, and for it, I thank you all.

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